

State of Rhode Island
Department of Administration

INTER-OFFICE MEMORANDUM

Office of Accounts and Control

TO: Chief Financial Officers

DATE: June 3, 2009

FROM: Marc A. Leonetti, State Controller

SUBJECT: Red Federal Balances
CFO 09-12

It has been the State's accounting policy for many years to treat all red cash balances in federal accounts as of June 30 as receivables from the federal government. This policy is based on the premise that such red balances are due to lags between the time the federal expenditures are incurred and the time that the corresponding federal reimbursements are drawn down. Underlying this practice is the even more basic premise that all such balances are both accurate and collectible.

Please review red balances in all your Federal accounts as of May 31, 2009 to insure they are collectible and that expenditures and corresponding revenues are being posted to the correct accounts. As part of the year end closing process you will be required to certify that all such balances are collectible before we record any federal receivable.

During the month of June 2009, the Office of Accounts and Control will be analyzing red federal cash balances statewide to determine which ones appear to warrant closer scrutiny. We will be guided by a set of criteria we have developed that take into account dollar materiality, and length of time between the posting of expenditures and their corresponding reimbursements. If any of your agency's federal account balances are determined to fall into the questionable category, we will notify you of this fact and ask you for information to support both their accuracy and their collectibility. If your response falls short of what we deem adequate, we will then take steps to reduce the federal receivable in question to a more reasonable amount via a charge to the director's general revenue account within your department or agency.

If you do receive a list of problematic federal accounts from Accounts and Control in June, we would appreciate your sending us your reply as soon as possible.